

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00  
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 /083 W  
-----300754Z 054278 /14

R 291510Z APR 77  
FM AMEMBASSY TEL AVIV  
TO SECSTATE WASHDC 5934  
INFO AMEMBASSY AMMAN  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMCONSUL JERUSALEM

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E.O. 11652: N/A  
TAGS: PGOV, PINT, ECON, IS  
SUBJECT: COMPTROLLER'S REPORT CRITICAL OF IDF AND TREASURY

1. THE STATE COMPTROLLER'S ANNUAL REPORT TO THE KNESSET  
WAS RELEASED APRIL 27 AND IMMEDIATELY PRODUCED A  
STORM OF CONTROVERSY. THE 100-PAGE REPORT WAS HIGHLY  
CRITICAL OF THE MINISTRY OF FINANCE AND THE IDF.

2. THE REPORT ATTACKED THE FINANCE MINISTRY FOR  
UNAUTHORIZED EXPENDITURES "ON A SIZEABLE SCALE." IT  
ALLEGES THAT ALTHOUGH THE MINISTRY KNEW, WHEN IT  
PRESENTED ITS ORIGINAL BUDGET TO THE KNESSET, THAT  
ADDITIONAL EXPENDITURES ABOVE AND BEYOND ITS REQUEST  
WOULD BE NECESSARY, IT WENT AHEAD AND SUBMITTED AN  
UNREALISTICALLY LOW BUDGET. THE COMPTROLLER, WHO IS  
DR. YITZHAK NEBENZAHL, ALSO POINTS TO INCREASING  
EXTRA-BUDGETARY OPERATIONS AND OBLIGATIONS AND TO  
THE GROWING PRACTICE OF CONTRACTING OUT GOVERNMENT  
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OPERATIONS TO PRIVATE FIRMS IN ORDER TO  
EVADE REQUIREMENTS TO REDUCE THE NUMBER OF PUBLIC  
EMPLOYEES AND TO LIMIT OPERATIONS. THE REPORT  
ALSO CHARGES THAT THE SYSTEM OF SUBSIDIES LEADS  
TO MISALLOCATION OF RESOURCES. MANY OF THESE  
POINTS WERE COVERED IN PREVIOUS REPORTS. WHAT IS  
NEW IS THE REVELATION OF THE PRACTICE OF FARMING-

OUT TAX COLLECTION TO THE COMMERCIAL BANKS AND THEREBY  
REDUCING COLLECTION BY AS MUCH AS 20 PERCENT.

3. HOWEVER, THE MOST SCATHING AND PERHAPS DAMAGING  
CRITICISM WAS DIRECTED AT THE MINISTRY OF DEFENSE.  
SOME SAY THAT THIS YEAR'S REPORT IS THE MOST  
CRITICAL EVER PUBLISHED ABOUT THE ARMY. THE  
DOCUMENT POINTS TO WIDESPREAD WASTE, INSTANCES OF  
LAXITY IN PREPAREDNESS, POOR MAINTENANCE OF  
VEHICLES, INOPERABLE AMPHIBIOUS AND BRIDGING EQUIPMENT,  
THE THEFT OF VALUABLE INVENTORY, INTOLERABLE  
CONDITIONS IN MILITARY PRISONS, AND INEFFICIENCY  
IN PERSONNEL PROCEDURES. THE REPORT ALSO DETAILS  
THE WIDESPREAD USE OF AIR FORCE PLANES FOR PRIVATE  
PURPOSES BY AIR FORCE OFFICERS.

4. CHIEF OF STAFF MORDECHAI GUR TOOK THE UNPRECEDENTED  
STEP OF DIRECTLY AND PUBLICLY REPLYING TO  
CRITICISM OF THE IDF IN THE REPORT. HE SAID:  
"WE DO NOT CHALLENGE THE FACTS IN THE REPORT,  
BUT WE DO DISPUTE THE WORDING AND INTERPRETATIONS  
THAT HAVE MISLED THE PUBLIC, CREATING THE  
IMPRESSION THAT THE ENTIRE ARMY IS AT FAULT.  
WE DO NOT DELUDE OURSELVES THAT THERE ARE NO  
SHORTCOMINGS IN THE ARMED FORCES. SUCH SHORTCOMINGS  
HAVE BEEN AND ARE BEING DEALT WITH BUT  
OUR RESPONSIBILITY TO THE PUBLIC IS SUCH THAT  
WE HAVE TO MAKE CLEAR TO THE NATION THE REAL  
PICTURE." HE WENT ON TO RESPOND TO SPECIFIC  
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CRITICISMS IN THE REPORT.

5. COMMENT: RELEASE OF THE REPORT JUST THREE  
WEEKS BEFORE THE KNESSET ELECTION IS  
EMBARRASSING TO THE ALIGNMENT AND ESPECIALLY  
TO ITS LEADER, DEFENSE MINISTER PERES. HERETOFORE,  
PERE'S MANAGEMENT OF THE DEFENSE MINISTRY HAS BEEN  
RELATIVELY FREE OF CRITICISM AND HIS DIRECTION  
OF THE IDF'S SIGNIFICANT EXPANSION AND IMPROVEMENT  
SINCE THE YOM KIPPUR WAR HAS BEEN A POLITICAL  
ASSET IN HIS CLIMB TO THE TOP OF THE LABOR PARTY.  
THE FINANCE MINISTRY'S WRONGDOINGS ARE ALSO  
LIKELY TO REFLECT ON THE LABOR PARTY, SINCE  
THOSE CITED OBVIOUSLY WERE SANCTIONED BY  
MINISTER RABINOWITZ, A LABOR CHIEFTAIN, OR WERE IN  
ACCORD WITH HIS POLICIES.

6. ALTHOUGH HIGHLY RESPECTED IN ISRAEL, NEBENZAHL  
IS A MEMBER OF THE NRP AND SOME OBSERVERS HAVE HINTED

AT POLITICS BEHIND THE TIMING AS WELL AS THE CONTENTS OF THE REPORT. HOWEVER, THE LAW ALLOWS LITTLE LEEWAY IN REQUIRING PUBLICATION OF THE REPORT SOME TIME IN APRIL AT THE LATEST; THE COMPTROLLER MUST SUBMIT HIS REPORT TO THE MINISTRY OF FINANCE WITHIN TEN AND ONE HALF MONTHS AFTER THE END OF THE FISCAL YEAR--I.E., BY FEBRUARY 15--AND THE MINISTRY MUST FORWARD IT TO THE KNESSET WITHIN TEN WEEKS --I.E., MAY 1. A COMMENT IN THE HISTADRUT CONTROLLED DAVAR COMMENDED THE COMPTROLLER FOR HAVING REFRAINED FROM HOLDING HIS CUSTOMARY ANNUAL PRESS CONFERENCE WHEN RELEASING HIS REPORT.

4. THIS REPORT NOTWITHSTANDING, OUR OVERALL IMPRESSION IS THAT THE IDF REMAINS A HIGHLY EFFECTIVE MILITARY MACHINE. ITS ACTIVE UNITS LIMITED OFFICIAL USE

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ARE IN A HIGH STATE OF READINESS AND WITH SOME EXCEPTIONS THE SAME IS TRUE OF ITS RESERVE UNITS. THE REPORT OBVIOUSLY PROVIDES CONVENIENT AMMUNITION TO OPPOSITION PARTIES, TO DUSCUSS IT.) BUT THE ALIGNMENT WILL PROBABLY BE ABLE TO LIMIT THE ADVERSE FALL-OUT. DUNNIGAN

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**Disposition Approved on Date:**  
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